

Message Text

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ACTION EA-12

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STATE PASS AID/W

E.O. 11652: N/A
TAGS: ENRG, BTIO, TH
SUBJ: UNION-RTG NATURAL GAS PROJECT

REF: (A) STATE 41939, B) BANGKOK 4639

1. EMBOFF ACCOMPANIED RTG DELEGATION ON TOUR OF BOMBAY HIGH OIL AND NATURAL GAS PROJECT FEBRUARY 28-MARCH 2. MEMBERS OF THAI DEL, WHICH INCLUDED DIRECTOR-GENERAL OF NATURAL GAS ORGANIZATION OF THAILAND (NGOT) AND PRIVATE SECRETARY TO MINISTER OF INDUSTRY, WERE VISIBLY IMPRESSED BY SCOPE AND COMPLEXITY OF SHORESIDE AND OPEN SEAS (100 MILES OFFSHORE) PIPELINE AND PLATFORM OPERATIONS BEING CARRIED OUT BY BROWN AND ROOT, MCDERMOTT, AND PIPELINE TECHNOLOGISTS, ALL OF WHOM ARE CONTENDERS FOR PORTIONS OF GULF OF SIAM PIPELINE PROJECT.

2. MAIN POINT WHICH EMERGED IN TERMS OF U.S. INTERESTS WAS STATEMENT BY SECRETARY THAT MINISTER OF INDUSTRY HAS INFORMED NGOT THAT UNLESS AGREEMENT IS REACHED SOON WITH UNION OIL CO. ON PRICE FORMULA FOR NATURAL GAS, MINISTER WILL URGE
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PRIME MINISTER TO DISSOLVE GAS PRICE SUBCOMMITTEE AND TO DESIGNATE MINISTER TO TAKE PERSONAL CONTROL OF NEGOTIATIONS. NEXT ROUND WITH UNION IS SCHEDULED FOR MAR. 6.

3. IN ADDITION, DIRECTOR-GENERAL OF NGOT SAID THAT BY END OF MARCH HE WILL PRESENT TO NGOT BOARD OF DIRECTORS HIS PREFERENCE FOR FIRM TO BE SELECTED AS DESIGN AND

ENGINEERING CONSULTANT. (AID/W MAY WISH TO NOTE THAT WITH REGARD TO ASSISTANCE PROVIDED TO NGOT BY AID/W --- 77 STATE 235774--NGOT HAS ALREADY SELECTED CHASE MANHATTAN ASIA AS FINANCIAL CONSULTANT AND ISSUED SHORT LIST OF THREE U.S. FIRMS FROM WHICH DESIGN/ENGINEERING CONSULTANT WILL BE SLECTED. AWARD OF CONSTRUCTION PROJECT TO AMERICAN FIRM WOULD GIVE U.S. CLEAN SWEEP IN THIS IMPOR- TANT PROJECT, WHICH WILL ALSO PROVIDE MARKET FOR GAS DISCOVERED BY U.S. FIRMS AND THEIR FOREIGN PARTNERS.) HE ADDED THAT RTG REMAINS WEDDED TO SCHEDULE WHICH WOULD SEE ACTUAL CONSTRUCTION BEGIN BY MID-1979 AT LATEST, WITH GAS COMING ON STREAM IN TIME FOR CHAKRI DYNASTY BICEN- TENNIAL CELEBRATION IN 1982.

4. IN RELATED DEVELOPMENT, TEXAS-PACIFIC V-P INFORMED EMBOFF THIS WEEK THAT COMPANY IS HAVING GREAT DIFFICULTY REACHING AGREEMTN WITH DEPARTMENT OF MINERAL RESOURCES (DMR) ON WORK PROGRAM FOR RENEWAL OF EXPLORATION CONCES- SION WHICH EXPIRES APRIL 22 (BANGKOK 1032). ACCORDING TEXAS-PACIFIC, COMPANY HAS OFFERED TO PUT DOWN ONE EXPLORATION WELL ANNUALLY FOR NEXT FOUR YEARS, WHILE DMR INSISTS ON MINIMUM OF FOUR WELLS PER YEAR. TEXAS- PACIFIC OFFICIAL SAID THAT COMPANY'S CANADIAN PARTNERS, HAVE REQUESTED THAT CANADIAN MFA INTERVENE WITH RTG IN EFFORT PERSUADE THAI TO APPROVE TEXAS-PACIFIC PROPOSAL. TEXAS-PACIFIC PROPOSAL IS, OF COURSE, SIMILAR TO THAT LIMITED OFFICIAL USE

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ENVISIONED BY UNION (REF. B, PARA 2). AS STATED PREVIOUSLY, WE DOUBT IT IS REALISTIC. THE THAI HOPE TO MOVE FORWARD WITH THIS PROJECT, ON THEIR OWN TERMS IF POSSIBLE, AND ALTHOUGH THEY MIGHT AGREE TO TEMPORARY EXTENSION OF CONCESSION RIGHTS WHILE PRICE TALKS PROCEED--ON MONTH-TO-MONTH BASIS, FOR EXAMPLE--IT SEEMS UNLIKELY THEY WILL GRANT LONG-TERM EXTENSION UNTIL: (A) AGREEMENT IS REACHED ON PRICE, OR (B) COMMITMENT IS GIVEN ON ACTIVE EXPLORATION PROGRAM.

5. WITH REGARD GAS PRICING, DIRECTOR OF ENERGY RESEARCH DEPARTMENT AT EGAT, WHO WAS ALSO MEMBER OF BOMBAY TOUR GROUP, SAID THAT AT DIRECTIO OF MINISTER OF INDUSTRY (WHO RETAINS ROLE AS HEAD OF EGAT), HIS DEPARTMENT LAST NOVEMBER DEVELOPED ECONOMETRIC MODEL FOR USE IN GAS PRICE NEGOTIATIONS AND THAT PROPOSAL FLOATED BY NATURAL GAS PRICE SUBCOMMITTEE IN FEBRUARY ISSUED FROM EGAT'S SOPHISTICATED COMPUTER CENTER. WHITEHOUSE

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